

GRACE  
VINEYARD

怡園酒莊

GRACE WINE HOLDINGS LIMITED  
怡園酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8146

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# Third Quarterly Report



2022

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “**Directors**”) of Grace Wine Holdings Limited (“**Grace Wine**” or the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## BOARD OF DIRECTORS

### Executive Directors

Ms. Judy Chan  
*(Chairlady and Chief Executive Officer)*  
Mr. Lam Wai Kit Ricky

### Non-executive Directors

Mr. Chow Christer Ho  
Dr. Cheung Chai Hong

### Independent non-executive Directors

Mr. Ho Kent Ching-tak  
Mr. Lim Leung Yau Edwin  
Mr. Alec Peter Tracy

### COMPLIANCE OFFICER

Mr. Lam Wai Kit Ricky

### COMPANY SECRETARY

Mr. Chiu Ming King

### AUTHORISED REPRESENTATIVES

Mr. Lam Wai Kit Ricky  
Mr. Chiu Ming King

### AUDIT COMMITTEE

Mr. Lim Leung Yau Edwin *(Chairman)*  
Mr. Chow Christer Ho  
Mr. Ho Kent Ching-tak

### REMUNERATION COMMITTEE

Mr. Alec Peter Tracy *(Chairman)*  
Dr. Cheung Chai Hong  
Mr. Lim Leung Yau Edwin

### NOMINATION COMMITTEE

Ms. Judy Chan *(Chairlady)*  
Mr. Chow Christer Ho  
Mr. Ho Kent Ching-tak  
Mr. Lim Leung Yau Edwin  
Mr. Alec Peter Tracy

### INVESTMENT COMMITTEE

Ms. Judy Chan *(Chairlady)*  
Mr. Lam Wai Kit Ricky  
Mr. Chow Christer Ho  
Dr. Cheung Chai Hong  
Mr. Lim Leung Yau Edwin

### AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

### HONG KONG LEGAL ADVISER

Taylor Wessing  
21/F, No. 8 Queen's Road Central  
Hong Kong

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 2304, 23/F  
Westlands Centre  
No. 20 Westlands Road  
Quarry Bay  
Hong Kong

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## **PRINCIPAL BANKERS**

China Construction Bank Corporation,  
Taigu Branch  
No. 119 Xihuan Road  
Taigu County  
Jinzhong City  
PRC

China Merchants Bank, Shanghai Branch,  
Taixing Sub-branch  
No. 847 Xinzha Road  
Jing'an District  
Shanghai  
PRC

## **STOCK CODE**

8146

# Unaudited Third Quarterly Results

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and nine months ended 30 September 2022, together with the comparative unaudited figures of the corresponding periods in 2021. Where appropriate, numerical figures or percentages presented herein shall be approximate figures and percentages (as the case may be).

## Unaudited Condensed Consolidated Statement of Profit or Loss

For the three months and nine months ended 30 September 2022

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	3	<b>51,957</b>	66,314	<b>23,773</b>	23,478
Cost of sales		<b>(20,351)</b>	(28,772)	<b>(9,249)</b>	(10,015)
Gross profit		<b>31,606</b>	37,542	<b>14,524</b>	13,463
Other income and gains, net	3	<b>1,272</b>	1,374	<b>544</b>	246
Selling and distribution expenses		<b>(8,688)</b>	(11,638)	<b>(3,056)</b>	(3,446)
Administrative expenses		<b>(15,417)</b>	(16,004)	<b>(5,170)</b>	(5,933)
Other expenses		<b>(442)</b>	(189)	<b>(233)</b>	(30)
Finance costs		<b>(112)</b>	(74)	<b>(80)</b>	(14)
PROFIT BEFORE TAX		<b>8,219</b>	11,011	<b>6,529</b>	4,286
Income tax expense	4	<b>(3,129)</b>	(4,447)	<b>(2,275)</b>	(1,259)
PROFIT FOR THE PERIOD AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY		<b>5,090</b>	6,564	<b>4,254</b>	3,027
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic and diluted (RMB cent)	5	<b>0.64</b>	0.82	<b>0.53</b>	0.38

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2022

	For the nine months ended 30 September		For the three months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<b>5,090</b>	6,564	<b>4,254</b>	3,027
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of financial information	<b>546</b>	(632)	<b>64</b>	(343)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	<b>5,636</b>	5,932	<b>4,318</b>	2,684

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2022

	Attributable to owners of the Company							
	Issued capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory funds reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	674	141,579	269	2,765	15,703	(6,249)	105,363	260,104
Profit for the period	-	-	-	-	-	-	5,090	5,090
Other comprehensive income for the period:								
Exchange differences on translation of financial information	-	-	-	-	-	546	-	546
Total comprehensive income for the period	-	-	-	-	-	546	5,090	5,636
Issue of shares upon exercise of share options	1	141	(45)	-	-	-	-	97
Equity-settled share option arrangements	-	-	290	-	-	-	-	290
Transfer from retained profits	-	-	-	-	14	-	(14)	-
Special final 2021 dividend	-	(4,000)	-	-	-	-	-	(4,000)
At 30 September 2022 (unaudited)	675	137,720	514	2,765	15,717	(5,703)	110,439	262,127
At 1 January 2021	674	141,579	-	2,765	14,874	(5,879)	98,452	252,465
Profit for the period	-	-	-	-	-	-	6,564	6,564
Other comprehensive loss for the period:								
Exchange differences on translation of financial information	-	-	-	-	-	(632)	-	(632)
Total comprehensive income for the period	-	-	-	-	-	(632)	6,564	5,932
Equity-settled share option arrangements	-	-	161	-	-	-	-	161
Transfer from retained profits	-	-	-	-	(6)	-	6	-
At 30 September 2021 (unaudited)	674	141,579	161	2,765	14,868	(6,511)	105,022	258,558



# Notes to Unaudited Condensed Consolidated Financial Information

30 September 2022

## 1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company's principal subsidiaries were engaged in the production and distribution of wine and other alcoholic products.

The immediate and ultimate holding company of the Company is Macmillan Equity Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The entire issued capital of Macmillan Equity Limited is held by Ms. Judy Chan.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group has been prepared to comply with the applicable disclosure requirements of the GEM Listing Rules.

This unaudited condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated. This unaudited condensed consolidated financial information has not been audited or reviewed by the Company's external auditors, but has been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

The unaudited condensed consolidated financial information of the Group has been prepared in accordance with the same accounting policies adopted in Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) that affect the Group and are adopted for the first time for the current period's financial information:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

These amendments had no impact on the condensed consolidated financial information of the Group.

### 3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2022	2021	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
<i>Revenue from contract with customers</i>				
Sales of goods	<b>51,957</b>	66,314	<b>23,773</b>	23,478

All of the Group's revenue was recognised at a point in time during the period.

	For the nine months ended 30 September		For the three months ended 30 September	
	2022	2021	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
<i>Geographical markets</i>				
Mainland China	<b>51,449</b>	65,269	<b>23,702</b>	23,359
Other jurisdictions	<b>508</b>	1,045	<b>71</b>	119
Total revenue from contracts with customers	<b>51,957</b>	66,314	<b>23,773</b>	23,478

### 3. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

	For the nine months ended 30 September		For the three months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
An analysis of other income and gains, net is as follows:				
Bank interest income	411	632	157	242
Government grants*	456	606	99	–
Covid-19-related rent concessions from lessors	62	–	–	–
Gains on disposal of items of property, plant and equipment, net	92	114	89	4
Penalties from distributors	121	–	121	–
Others	130	22	78	–
	<b>1,272</b>	1,374	<b>544</b>	246

\* The Group received various government grants for promoting the wine industry, supporting agricultural development and improving environmental infrastructure. There are no unfulfilled conditions or contingencies relating to these grants.

#### 4. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the reporting period. The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC.

	For the nine months ended 30 September		For the three months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current – Mainland China				
Charge for the period	2,708	4,327	2,083	1,286
Under/(over)-provision in prior periods	(160)	66	–	1
Deferred	581	54	192	(28)
<b>Total tax charge for the period</b>	<b>3,129</b>	<b>4,447</b>	<b>2,275</b>	<b>1,259</b>

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

##### For the nine months ended 30 September 2022

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	11,042		(2,823)		8,219	
Tax at the weighted average applicable tax rate	2,761	25.0	(466)	16.5	2,295	27.9
Lower tax rate for specific provinces or enacted by local authority	(77)		–		(77)	
Adjustments in respect of current tax of previous periods	(160)		–		(160)	
Income not subject to tax	(101)		(10)		(111)	
Expenses not deductible for tax	53		6		59	
Tax losses not recognised	653		470		1,123	
<b>Tax charge for the period</b>	<b>3,129</b>	<b>28.3</b>	<b>–</b>	<b>–</b>	<b>3,129</b>	<b>38.1</b>

#### 4. INCOME TAX (CONTINUED)

For the nine months ended 30 September 2021

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	15,502		(4,491)		11,011	
Tax at the weighted average applicable tax rate	3,875	25.0	(741)	16.5	3,134	28.5
Lower tax rate for specific provinces or enacted by local authority	(87)		–		(87)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	81		–		81	
Adjustments in respect of current tax of previous periods	66		–		66	
Income not subject to tax	(141)		(4)		(145)	
Expenses not deductible for tax	70		111		181	
Tax losses not recognised	583		634		1,217	
Tax charge for the period	4,447	28.7	–	–	4,447	40.4

## 5. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the nine months ended 30 September 2022 is based on the profit for the period attributable to owners of the Company of RMB5,090,000 (for the nine months ended 30 September 2021: RMB6,564,000), and the weighted average number of ordinary shares of 800,298,901 (for the nine months ended 30 September 2021: 800,000,000) in issue during the period.

The calculation of basic earnings per share for the three months ended 30 September 2022 is based on the profit for the period attributable to owners of the Company of RMB4,254,000 (for the three months ended 30 September 2021: RMB3,027,000), and the weighted average number of ordinary shares of 800,600,000 (for the three months ended 30 September 2021: 800,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the nine months and the three months ended 30 September 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 6. DIVIDENDS

	For the nine months ended 30 September	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Special final 2021 dividend – HK0.62 cents (2021: Nil) per ordinary share	<b>4,000</b>	–

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

## 7. BUSINESS COMBINATION

On 9 September 2022, the Group acquired 100% equity interest from an individual, an independent third party, in Interfusion Limited (“**Interfusion**”).

Interfusion Limited is a company incorporated in the BVI with limited liability and is principally engaged in the planting of vines and sale of wine grapes. Upon completion of the transaction, the Company obtains control over Interfusion. The Company paid RMB1 as cash consideration for the acquisition of Interfusion.

As at 30 September 2022, the fair values of the identifiable assets and liabilities of Interfusion Group have been determined on a provisional basis subject to the finalisation of the initial accounting for the business combination.

## 8. SHARE-BASED PAYMENTS

In order to attract and retain the eligible participants, to provide incentives or rewards for their contribution to the Group and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the “**Scheme**”) on 1 June 2018 whereby the board of directors (the “**Board**”) is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the “**Shares**”) to, inter alia, any employees (full-time or part-time), potential employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Group and any suppliers, customers, agents and advisers who have contributed to the Group. The Scheme shall be valid and effective for a period of ten years commencing on 1 June 2018, subject to the early termination provisions contained in the Scheme.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the Shares in issue on the Listing Date. The Company may at any time refresh this limit, subject to the shareholders’ approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant, shall not exceed 0.1% of the Shares in issue.

## 8. SHARE-BASED PAYMENTS (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the official closing price of the shares as stated in The Stock Exchange's daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the GEM Listing Rules) immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option provided always that for the purpose of calculating the subscription price, where the Company has been listed on The Stock Exchange for less than five business days, the issue price shall be used as the closing price for any trading day falling within the period before the date of listing of the shares.

In May 2021, 10,000,000 share options were granted under the Scheme, at an exercise price of HK\$0.186 per share. 30% of the share options vested on 17 May 2022. The remaining 30% and 40% of the share options will vest on 17 May 2023 and 17 May 2024, respectively, on the condition that the director and employee of the Company remain in service as of the vesting dates. The maximum aggregate number of ordinary shares that may be issued pursuant to all grantees under the Scheme was 10,000,000. The options will lapse on the tenth anniversary of the grant date.

In May 2022, 3,000,000 share options were granted under the Scheme, at an exercise price of HK\$0.170 per share. 30%, 30% and 40% of the share options will vest on 17 May 2023, 17 May 2024, and 17 May 2025, respectively, on the condition that the employee of the Company remains in service as of the vesting dates. The maximum aggregate number of ordinary shares that may be issued pursuant to all grantees under the Scheme was 3,000,000. The options will lapse on the tenth anniversary of the grant date.



## 8. SHARE-BASED PAYMENTS (CONTINUED)

- (a) The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	Share options granted on 17 May 2022	Share options granted on 17 May 2021
Dividend yield (%)	0%	0%
Expected volatility (%) (note)	45.54%	44.91%
Risk-free interest rate (%)	3.081%	1.192%
Option life (years)	10	10
Spot price (HK\$ per share)	0.1680	0.1780

Note: Expected volatility is estimated based on the average historical volatility of the comparable companies. No other feature of the options granted was incorporated into the measurement of fair value.

- (b) The following share options were outstanding under the Scheme during the period:

	2022		2021	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At 1 January	<b>0.186</b>	<b>10,000</b>	–	–
Granted during the period	<b>0.170</b>	<b>3,000</b>	0.186	10,000
Exercised during the period	<b>0.186</b>	<b>(600)</b>	–	–
At 30 September	<b>0.182</b>	<b>12,400</b>	0.186	10,000

## 8. SHARE-BASED PAYMENTS (CONTINUED)

- (c) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

### 30 September 2022

Exercise period	Number of options '000	Exercise price HK\$ per share
17 May 2022–16 May 2031	2,400	0.186
17 May 2023–16 May 2031	3,000	0.186
17 May 2024–16 May 2031	4,000	0.186
17 May 2023–16 May 2032	900	0.170
17 May 2024–16 May 2032	900	0.170
17 May 2025–16 May 2032	1,200	0.170
	<b>12,400</b>	

### 30 September 2021

Exercise period	Number of options '000	Exercise price HK\$ per share
17 May 2022–16 May 2031	3,000	0.186
17 May 2023–16 May 2031	3,000	0.186
17 May 2024–16 May 2031	4,000	0.186
	<b>10,000</b>	

## 8. SHARE-BASED PAYMENTS (CONTINUED)

(c) (Continued)

The fair values of the share options granted under the Scheme during the nine months ended 30 September 2022 was RMB904,000 (equivalent to HK\$1,089,000) (30 September 2021: RMB743,000 (equivalent to HK\$892,000)), of which the Group recognised a share-based payment expense of RMB290,000 (equivalent to HK\$342,000) (30 September 2021: RMB161,000 (equivalent to HK\$196,000)) for the nine months ended 30 September 2022.

At the end of the reporting period, the Company had 12,400,000 share options outstanding. If the outstanding share options were exercised in full, an additional 12,400,000 ordinary shares of the Company will be issued, resulting in additional share capital of RMB11,000 (equivalent to HK\$12,000) and capital reserve of RMB1,922,000 (equivalent to HK\$2,246,000) (before issue expenses), respectively.

## BUSINESS REVIEW

The Group is engaged in the wine production and distribution business in China's Ningxia and Shanxi Provinces. The gross profit for the nine months ended 30 September 2022 ("**3Q2022**") has dropped as compared to the same period in 2021 due to the resurgence of the COVID-19 pandemic and the restriction of economic activities during the first half of 2022. However, benefiting from the decrease in the average cost per bottle of wine, the Group has recorded a slight increase in gross profit margin as compared to the nine months ended 30 September 2021 ("**3Q2021**") and continued to achieve net profit.

## OUTLOOK

Although the COVID-19 pandemic continued to wreak havoc in major cities across the country during the third quarter of 2022, the central government of China continued to take active epidemic prevention and control measures to curb the spread of the epidemic and actively promoted various economic recovery policies, so as to promote economic recovery. Such measures are able to drive the national consumer demand to gradually recover while adhering to economic stability. The Group's revenue for the three months ended 30 September 2022 amounted to RMB23.8 million, representing a slight increase of 1.3% as compared with that of RMB23.5 million during the same period of 2021. The Group's gross profit margin has also continued to increase, reaching 60.8% for the nine months ended 30 September 2022 as compared to the gross profit margin of 56.6% during the same period of 2021. We are optimistic about the full recovery of the Group's business in the future as a result of the recovery of revenue and the significant growth in gross profit margin.

In relation to the acquisition of the whisky and gin facility located in China's Fujian Province in 2019, for the exterior decoration works and the outdoor engineering works in respect of the distillery facility for the production of whisky and gin in Fujian Province, China (the "**Distillery**"), Fujian Dexi Wine Company Limited had entered into a construction contract with Fujian Tongyuan Construction Project Co. Ltd.. As at the date of this report, the construction of exterior decoration works has been completed. It is expected the commencement of operation of the Distillery will take place in early 2023. With the commencement of production at the Distillery, we will launch a new gin series and certain new products, officially expanding our liquor production business and laying the foundation for the Group to penetrate the liquor business. It is expected that the liquor business will bring synergy to the wine business of the Group, steering our alcohol business towards diversified and sustainable development.

Although the resurgence of COVID-19 pandemic has brought various challenges to the business environment, the Group will continue to focus on improving the product quality and consumer satisfaction of its products. The Group will continue to produce unique high-quality wine products and expand the liquor business so as to give full play to its competitive advantages and excel in the industry.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by RMB14.4 million or 21.7% from RMB66.3 million for 3Q2021 to RMB52.0 million for 3Q2022 as a result of the decrease in total sales volume.

We sold 688,000 bottles in 3Q2022 as compared to 817,000 bottles in 3Q2021, the average selling price decreased from RMB80.9 per bottle in 3Q2021 to RMB75.5 per bottle in 3Q2022.

### **Cost of sales**

Our cost of sales decreased by RMB8.4 million or 29.3% from RMB28.8 million for 3Q2021 to RMB20.4 million for 3Q2022 primarily due to the decrease in total sales volume. Our average cost of sales per bottle decreased from RMB35.2 for 3Q2021 to RMB29.6 for 3Q2022.

### **Gross profit and gross profit margin**

Our overall gross profit decreased by RMB5.9 million or 15.8% from RMB37.5 million for 3Q2021 to RMB31.6 million for 3Q2022, due to the decrease in total sales. Our overall gross profit margin increased from 56.6% for 3Q2021 to 60.8% for 3Q2022.

### **Other income and gains, net**

Other net income and gains slightly decreased by RMB0.1 million or 7.4% from RMB1.4 million for 3Q2021 to RMB1.3 million for 3Q2022, which mainly comprised income from government grants and bank interest income.

### **Selling and distribution expenses**

Selling and distribution expenses decreased by RMB3.0 million or 25.3% from RMB11.6 million for 3Q2021 to RMB8.7 million for 3Q2022, which was due to proportional decrease in revenue.

### **Administrative expenses**

Administrative expenses decreased by RMB0.6 million or 3.7% from RMB16.0 million for 3Q2021 to RMB15.4 million for 3Q2022, which mainly comprised general administrative expenses.

### **Finance costs**

Our finance costs was RMB112,000, which represented the interest on bank loans of RMB77,000 (3Q2021: Nil) and unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* of RMB35,000 (3Q2021: RMB74,000).

### **Income tax expense**

Our income tax expense decreased by RMB1.3 million or 29.6% from RMB4.4 million for 3Q2021 to RMB3.1 million for 3Q2022 due to the decrease in profit before tax in our PRC subsidiaries.

### **Profit for the period**

As a result of the foregoing, a profit for the period of RMB5.1 million was recognised for 3Q2022 (3Q2021: RMB6.6 million).

### **Dividend**

The Board does not recommend the payment of any dividend for 3Q2022 (3Q2021: Nil).

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 September 2022, the interests and short positions of the Directors and chief executive of the Company in the shares (the "**Shares**") and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### (i) Interests in the Company

Name of Director	Capacity/ Nature of interest	Number of ordinary Share(s) held <sup>(1)</sup>	Approximate shareholding percentage
Ms. Judy Chan <sup>(2)</sup>	Interest in controlled corporation <sup>(2)</sup>	411,350,000 (L)	51.38%
	Beneficial owner <sup>(3)</sup>	8,000,000 (L)	1.00%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity Limited ("**Macmillan Equity**") is wholly-owned by Ms. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in 411,350,000 Shares held by Macmillan Equity pursuant to the SFO.
- The share options granted by the Company under its share option scheme to Ms. Judy Chan on 17 May 2021.

**(ii) Interests in associated corporation of the Company**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of ordinary Share(s) held<sup>(1)</sup></b>	<b>Approximate shareholding percentage</b>
Ms. Judy Chan <sup>(2)</sup>	Macmillan Equity	Beneficial owner	100 (L)	100%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Macmillan Equity is wholly-owned by Ms. Judy Chan.

Save as disclosed above, as at 30 September 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under the SFO), or pursuant to section 352 of the SFO, which were required to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which were to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the chief executive of the Company are aware, as at 30 September 2022, other than the Directors and chief executive of the Company, the following persons had or were deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/ Nature of interest	Number of ordinary Shares held <sup>(1)</sup>	Approximate shareholding percentage
Macmillan Equity <sup>(2)</sup>	Beneficial owner	411,350,000 (L)	51.38%
Palgrave Enterprises Limited ("Palgrave Enterprises") <sup>(3)</sup>	Beneficial owner	173,180,000 (L)	21.63%
Ms. Wong Shu Ying	Beneficial owner	4,460,000 (L)	0.56%
	Interest in controlled corporation <sup>(3)</sup>	173,180,000 (L)	21.63%
Mr. Chan Chun Keung <sup>(4)</sup>	Interest of spouse	177,640,000 (L)	22.19%
Mr. Ting Tan Ming	Beneficial owner	48,030,000 (L)	6.00%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity is wholly-owned by Ms. Judy Chan.
- Palgrave Enterprises is wholly-owned by Ms. Wong Shu Ying, and therefore Ms. Wong Shu Ying is deemed to be interested in 173,180,000 Shares held by Palgrave Enterprises pursuant to the SFO.
- Mr. Chan Chun Keung, the spouse of Ms. Wong Shu Ying, is deemed to be interested in 4,460,000 Shares held by Ms. Wong Shu Ying and 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

Save as disclosed above, as at 30 September 2022, the Directors were not aware of any person or corporation (other than the Directors and the chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.



## SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 1 June 2018 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to enable the Company to grant options to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group. Details of the Share Option Scheme have been disclosed in the prospectus of the Company dated 12 June 2018 (the “**Prospectus**”) under section “Appendix V – Statutory and General Information – F. Share Option Scheme”.

Unless otherwise cancelled or amended, the Board is entitled at any time within the period of ten years from the date of adoption of the Share Option Scheme to make an offer to the below eligible participants (the “**Eligible Participants**”) of the Share Option Scheme:

- (i) any full-time or part-time employees, or potential employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any suppliers, customers, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at 27 June 2018 (the “**Listing Date**”), being 80,000,000 Shares. Subject to Shareholders’ approval in general meeting, the Board may (i) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specially approved by the Shareholders in general meeting and the Eligible Participants are specifically identified by the Company before such approval is sought.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options to an Eligible Participant in excess of the 1% limit shall be subject to approval by Shareholders in general meeting with such Eligible Participant and his or her close associates (or his or her associates if such Eligible Participant is a connected person) abstaining from voting.

Each of the grantees to whom an option has been granted under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document, provided that such period of time shall not exceed a period of ten years commencing on the date on which the option is granted. The exercise of any option shall be subject to the approval from the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Share Option Scheme, the Eligible Participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and no less than the highest of:

- (a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities;
- (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days (as defined under the GEM Listing Rules) immediately preceding the date of grant; and
- (c) the nominal value of a Share.

As at 30 September 2022, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 13,000,000 Shares and 12,400,000 Shares respectively, representing approximately 1.62% and 1.55%, respectively, of the Shares in issue as at 30 September 2022.

Total number of Shares available for issue under the Share Option Scheme was 67,000,000 Shares, representing approximately 8.37% of the Shares in issue as at 30 September 2022.

Details of the share options movement during the nine months ended 30 September 2022 under the Share Option Scheme are set out in the table below.

Grantee	Date of grant of share options	Number of share options					As at 30 September 2022	Exercise price of share options HK\$	Validity period of share options (both dates inclusive)	Vesting period
		As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Employees (in aggregate)	17 May 2021	2,000,000	-	(600,000)	-	-	1,400,000	0.186	17/5/2021 to 16/5/2031	Note 1
	17 May 2022	-	3,000,000	-	-	-	3,000,000	0.17	17/5/2022 to 16/5/2032	Note 2
Director Judy Chan	17 May 2021	8,000,000	-	-	-	-	8,000,000	0.186	17/5/2021 to 16/5/2031	Note 1

Notes:

1. Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share option
30% of the total number of share options	From 17 May 2022 to 16 May 2031
30% of the total number of share options	From 17 May 2023 to 16 May 2031
40% of the total number of share options	From 17 May 2024 to 16 May 2031

2. Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share option
30% of the total number of share options	From 17 May 2023 to 16 May 2032
30% of the total number of share options	From 17 May 2024 to 16 May 2032
40% of the total number of share options	From 17 May 2025 to 16 May 2032

The closing price of the Shares immediately before the date of grant of share options under the Share Option Scheme on 17 May 2021 and 17 May 2022 were HK\$0.185 and HK\$0.164 respectively.

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the nine months ended 30 September 2022 and up to the date of this Report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for Shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above in the section “Share Option Scheme”, at no time during the nine months ended 30 September 2022 was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the Shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

## COMPETING INTERESTS

As at 30 September 2022, none of the Directors, the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

Mr. Ho Kent Ching-tak (“**Mr. Ho**”), an independent non-executive Director of the Company, is a director of BP Wines (AU) Pty Ltd, an entity which owns Bass Phillip, a winery based in Australia which produces and sells wine globally with the PRC being one of its target markets. Mr. Ho is also the general partner of Spectrum 28 X Fund, LP which, through BP Wines (SG) Pte. Ltd., an investment holding entity of which he is a director, has shareholding interests in BP Wines (AU) Pty Ltd.

Dr. Cheung Chai Hong, a non-executive Director of the Company, is a director and leading founder of The Wine Company, a fine wine retail and trading company in Hong Kong established in 2010. The Wine Company’s principal business is based in Hong Kong, and it only generates a minimal portion of its sales in the PRC.

## DEED OF NON-COMPETITION

The Deed of Non-Competition dated 1 June 2018 (as defined in the Prospectus) was entered into by Ms. Judy Chan and Macmillan Equity in favour of the Company (for the Company and for the benefit of its subsidiaries) in regard to non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with our Controlling Shareholders – Deed of Non-competition” and the non-competition undertaking has become effective since the Shares were listed on GEM of the Stock Exchange on the Listing Date.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions (the “**Model Code**”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code during the nine months ended 30 September 2022.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the nine months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted with all the applicable provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code during the nine months ended 30 September 2022.

### Chairman and Chief Executive

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Judy Chan holds both positions in the Company. Ms. Judy Chan has been primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for our business management and operations since she joined the Group in 2002. Taking into account the continuation of management and the implementation of the Group's business strategies, the Directors (including our independent non-executive Directors) consider that it is most suitable for Ms. Judy Chan to hold both the positions of Chief Executive Officer and the Chairlady of the Board.

Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances and the existing arrangements are beneficial and in the interests of the Company and its shareholders as a whole.

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph D.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. Lim Leung Yau Edwin, Mr. Ho Kent Ching-tak and Mr. Chow Christer Ho. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2022 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

**Grace Wine Holdings Limited**

**Judy Chan**

*Chairlady, Chief Executive Officer and Executive Director*

Hong Kong, 7 November 2022

*As at the date of this report, the Board comprises Ms. Judy Chan and Mr. Lam Wai Kit Ricky as executive Directors, Mr. Chow Christer Ho and Dr. Cheung Chai Hong as non-executive Directors and Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as independent non-executive Directors.*